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UNCLAS SECTION 01 OF 02 ANKARA 004009

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SENSITIVE

USDOC FOR 4212/ITA/MAC/OEURA/CPD/DDELFCALCO
USDOC FOR ADVOCACY CENTER SAM NEWMAN

E.O. 12958: N/A

TAGS: [ENRG](#) [EPET](#) [PREL](#) [TU](#)

SUBJECT: TURKEY: MFA SEEKS CONSENSUS OF OIL COMPANIES ON
BYPASS PIPELINE

REF: A. STATE 73545

[1](#)B. ISTANBUL 262

[1](#)C. ANKARA 1542

[1](#)D. ANKARA 2071

[1](#)E. ANKARA 2721

[1](#)F. ANKARA 3419

This is an action request. See para 6. Sensitive but
Unclassified

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[1](#)1. (SBU) Summary: Turkey's MFA continues to oppose issuing licenses now to the companies that have applied for Turkish Straits bypass pipeline routes through Turkey. Instead, the Ministry wants to forge a consensus among the oil companies on "Voluntary Principles" to reduce their traffic in the Straits and choose a bypass. The MFA will host a meeting July 23 with interested oil companies to seek agreement on the Voluntary Principles and has asked embassy to attend. At the same time, a U.S. company has asked our help to get its bypass license approved. End Summary.

BYPASS APPLICATIONS

[1](#)2. (SBU) MFA DDG for Energy Hakki Akil told Econ Counselor and Econoff July 12 that he opposed issuing licenses to the companies seeking to build oil pipelines to bypass the Bosphorus. Instead, Akil explained, oil companies transporting Russian and Caspian crude via the Turkish Straits should agree together on which bypass they want to use. This is the first time that Akil has explicitly stated his opposition to the application of Thrace Development Corporation to build a bypass pipeline across the Thrace isthmus. His remarks confirm Minister Guler's statement to Ambassador Mann that the Energy Ministry's recommendation to approve the license application of Thrace Development Corporation was being blocked by the MFA. Thrace first submitted its license application a year ago. Thrace has filed with the Department of Commerce Advocacy Center and has asked that the Embassy/USG arrange a meeting with senior U.S., Turkish MFA and Thrace officials to clear the air and state the U.S. position of support for its application. Post also knows of one other consortia, which includes American companies, that will likely ask for our advocacy support in the near future.

[1](#)3. (U) Drawing on guidance in ref a, econoff responded that it is the U.S. position that market forces should determine the optimal bypass routes. Therefore, we believe the Energy Ministry's approach to issue a conditional license to Thrace Development Corporation -- and other applicants -- made sense. The conditional licenses would require the companies to demonstrate within six months that they have financing, throughput contracts and that they have completed environmental impact assessments. This procedure ensures that the companies bear the risk and demonstrates that oil shippers will use the pipeline -- avoiding the Odesa-Brody, to which Akil alluded.

Voluntary Principles Meeting

[1](#)4. (U) Akil's approach is linked to the MFA initiative to bring the oil shippers together to agree on Voluntary Principles that would commit the companies to reduce their traffic through the Turkish Straits. Akil said the UK government has expressed its support for the proposal and that a meeting with oil companies is scheduled for July 23 in Istanbul to try to reach agreement on the Voluntary Principles. A Chevron-Exxon official who will attend the July 23 meeting told us that he thinks the Voluntary Principles are a good idea; however, he was skeptical that the Russian companies would join a consensus anytime soon. Subsequent to our July 12 meeting, Akil invited an embassy representative to attend, "to explain U.S. support for the

Voluntary Principles."

15. (SBU) We are concerned that the bypass projects will be held hostage to Akil's desire to achieve a comprehensive agreement (the Voluntary Principles) that would commit the oil shippers to reduce use of the Straits and endorse specific bypass routes. We have reported the concern of Western oil companies about the Voluntary Principles and their skepticism that Russian oil companies will agree to sign on to the deal or honor their commitments. Less than 100 percent participation would provide a large bonus for companies that remain outside the deal.

16. (SBU) Action Request: It is becoming clear that the MFA can and will continue to block the Thrace license as long as it continues promoting the Voluntary Principles -- a process that could go on for quite some time. Embassy requests Washington's guidance on attending the July 23 meeting. In addition to lending our implicit endorsement of a non-market approach, our attendance could undermine our advocacy on behalf of Thrace Development Corporation. As long as talks on the VPs continue, MFA is certain to hold up approval for Thrace's license. We should also understand that overcoming MFA's opposition to Thrace's application will be difficult and will likely require U.S. intervention at a fairly senior level.

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